

Egremont Water Department

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Operational Audit

Public Presentation

Melanson, Heath and Company, P.C.

Certified Public Accountants

Management Consultants

John J. Sullivan, CFE

MH&Co

Melanson Heath & Company, PC

BACKGROUND

- Town intended to create a Water Enterprise Fund with rates sufficient to cover operating costs and debt service
- Covenant to USDA that costs would be covered by rates and “other available funds”

5 YEAR HISTORY

- Costs Relatively Stable
- Increasing General Fund Subsidy
- Pattern of Revenue Deficits

REVENUE GENERATING CAPACITY

- 2014 Budget \$249,593
- User Fees \$186,999
- General Fund Subsidy \$62,564 (25%)

LIMITATIONS

- 176 Customers
 - At Original Customer Projections (212) \$221,964
- 95% Less Than 24,000 gallons per year
 - At Statewide Average (64,500) Usage \$275,763

WATER RATES

- Massachusetts Average \$498
- Egremont Minimum \$1,015
- Egremont at Massachusetts Average
\$1,836

CONSEQUENCES

- Insufficient Customers to Support Costs
- Customers are not Consuming Expected Water Quantity
- Rates are Already Excessive

BILLING ISSUES

- Monthly Billings
- Errors in Rate Calculations
- Unusual Usage
- Interest Not Charged and Collected

MONTHLY BILLINGS

- 2011 – 8 Billings
- 2012 – 9 Billings
- 2013 – 10 Billings

IF 12 BILLINGS

	<u>Billed</u>	<u>Projected</u>
2011	\$111,752	\$162,000
2012	\$145,868	\$171,000
2013	\$141,698	\$170,000

ERRORS IN RATE CALCULATIONS

Sample Correct Billing:

October 2012 Usage of 19,680

Base Billing to 4,000 Gallons	\$ 60.57
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15,580 Additional @ \$15	\$240.00
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Debt	<u>\$ 32.22</u>
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Total	<u>\$332.79</u>
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Actual Billing:

Base Billing	\$ 44.60
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Additional	\$175.97
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Debt	<u>\$ 32.22</u>
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	<u>\$252.79</u>
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Difference	\$ 80.00
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UNUSUAL USAGE

196722.9	3657.5	\$92.79
200802	4079.15	\$102.79
204792	3990	\$92.79
208211.2	3419.2	\$92.79
211051	2839.8	\$84.81
214288.3	3237.3	\$92.79
217542.3	3254.04	\$92.79
220444.9	2902.51	\$84.81
223183	2738.15	\$84.81
226194	3011	\$92.79
228341	2147	\$84.81
194610	-33731	\$76.82
194810	200	\$76.82
195810	1000	\$76.82
371950	176140	\$112.79
372731	781	\$76.82
375786.8	3055.8	\$111.13
196940	-178847	\$87.25

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INTEREST

The system is set up to and does calculate interest on late payments. Unable to determine that interest is being assessed and collected on late payments.

COLLECTIONS

- 3% Write-Off History
- Commissioners Need to Review and Approve
- Receipts appear to be collected and deposited intact

WATER PRODUCED AND BILLED

- Between 7% to 20% Accounted for
- 10" Meter Into System
- Faulty Meters or Readings
- Lost Water
- Unidentified Users

CAPITAL COSTS

- 30,000 Feet in Distribution System
- 20,000 Feet Updated in Good Condition
- 10,000 Old Pipe Needs to be Replaced
- Cost \$420,000
- Funding?

GOVERNANCE

- Approve Write-Offs
- Vote Rate Changes
- Monitor Water Pumped and Billed
- Review Financial Data Monthly

INDIRECT COSTS

- Not Material to Overall Financial Picture
- Consider Costs not Reimbursed

CONCLUSION

- Bill Consistent With Rate Structure
- Fix Errors in Billing System
- Monitor Billings and Collections
- Address Water Produced to Water Billed
- Long-Term Planning & Capital Needs
- Governance